

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

October 10, 2000

IN RE:

**PETITION OF TENNESSEE-AMERICAN
WATER COMPANY FOR APPROVAL OF
AND AUTHORITY TO BORROW UP TO
\$30,100,000 TO REFINANCE OUTSTANDING
INDEBTEDNESS AND FINANCE ADDITIONS
AND IMPROVEMENTS TO FACILITIES AND
ACQUISITIONS AND TO REPAY SHORT-TERM
INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109**

**DOCKET NO.
00-00637**

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Petition (the "Petition") of Tennessee-American Water Company ("TAWC" or the "Company") for Approval of and Authority to Borrow up to \$30,100,000 to Refinance Outstanding Indebtedness and Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to Tenn. Code Ann. § 65-4-109. TAWC filed its Petition with the Authority on July 18, 2000. The Directors of the Authority considered the Petition at a regularly scheduled Authority Conference held on August 15, 2000. Upon consideration of the Petition and the exhibits thereto, the Directors made the following findings of fact and conclusions of law:

1. TAWC is a Tennessee corporation with its principal office and place of business in the City of Chattanooga, Hamilton County, Tennessee. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWWC").

2. TAWC is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in the business of providing water utility services in and adjacent to the City of Chattanooga and in other municipalities in Hamilton and Marion Counties in Tennessee, and in certain areas in Catoosa, Dade, and Walker Counties in Georgia.

3. The Petition states that the long-term debt of the Company as of May 31, 2000 is represented by seven outstanding series of general mortgage bonds (the "General Mortgage Bonds") issued under and secured by an Indenture of Mortgage dated as of May 1, 1968 from the City Water Company of Chattanooga (now TAWC) to The Fidelity Bank (now First Union National Bank), as Trustee, as supplemented and amended by thirteen supplemental indentures thereto. As of May 31, 2000, TAWC had no outstanding indebtedness other than the General Mortgage Bonds and a capital lease for TAWC's offices, except current liabilities (including short-term bank debt.)

In its Petition, TAWC seeks authority approval to issue securities to American Water Capital Corp., also a wholly-owned subsidiary of AWWC, in the form of notes or debentures in an aggregate outstanding principal amount of \$30,100,000 from time to time prior to December 31, 2005, the proceeds of which will be used to (a) refinance the following General Mortgage Bonds: (i) the 9.43% Series maturing on September 1, 2000, in the principal amount of \$5,000,000; (ii) the 8.28% Series maturing June 1, 2002 in the principal amount of \$10,000,000; and (iii) the 6.77% Series maturing on June 1, 2003 in the principal amount of \$9,000,000; and (b) finance additions and improvements to the TAWC's plants, property, equipment and facilities, and acquisitions; and (c) repay short-term borrowing.

4. Under Tenn. Code Ann. § 65-4-109, the Authority shall approve the proposed assumption of debt obligations if it finds that it will be made in accordance with law and that the Authority approves the purpose of the assumption of debt obligations.

5. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Petition should be approved. The Authority finds that this assumption of debt obligations is in accordance with law and is for a proper purpose.

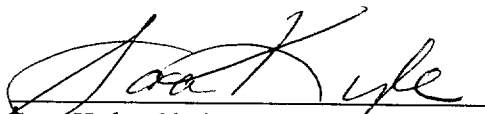
IT IS THEREFORE ORDERED THAT:

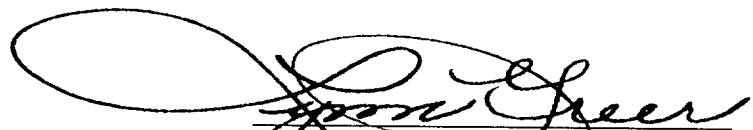
1. Tennessee-American Water Company is authorized to assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$30,100,000;

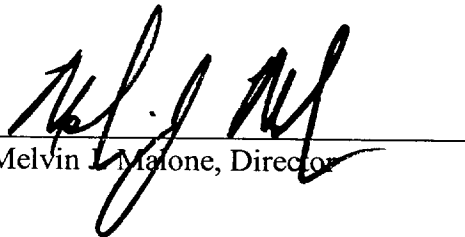
2. The terms of said debt obligations shall be as described in the Petition of Tennessee-American Water Company and exhibits thereto on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any notes or debentures issued as described in the Petition of Tennessee-American Water Company. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein;

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin L. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary